



ITG News



Keeping First Nations Informed

July 2008

Publication 4267

Catalog Number 37826U

Eastern Edition

Message from the Director

As we begin the final quarter of the federal government's 2008 fiscal year, our office is undertaking our annual Customer Satisfaction Survey. This will be our sixth year for the survey, which is a valuable tool that helps us better understand the federal tax administration needs of Indian tribal governments.

I want to take this opportunity to communicate how strongly I feel about the survey, and how important the results are in the formulation of future activities. In each of the prior 5 years, we have convened a team to analyze the feedback. We have developed specific actions to address the concerns raised, and we have reinforced existing actions where the respondents indicated a high level of satisfaction. While we always seek opportunities for improvement, we also recognize that we need to maintain those areas that appear to be working well.

We have posted the results of the survey to the ITG web site at www.irs.gov/tribes each year, and we have used ITG News as the mechanism to share the changes we have implemented based on survey feedback. One of the major issues surfaced last year was a need for improved federal tax information for tribal members. While their tax issues are the purview of other IRS operating divisions, we are taking specific steps to assist in this area, including the creation and issuance of a primer on Individual Indian Issues which was sent to each tribe via CD-Rom. We also distributed flyers, envelope stuffers, posters, and Public Service Announcements on the Economic Stimulus payments. We are currently working to get improved information on tribal member tax issues to the VITA sites that service tribal areas.

The 2008 Customer Satisfaction Survey is currently in the mail to each tribe. I urge you to complete it and return it in the postpaid envelope as soon as possible. All responses are anonymous unless you choose to identify yourself, but your feedback is invaluable to us. As always, we will publish a summary of the results, as well as a listing of activities we will undertake to further improve our performance. I want to thank everyone in advance for their participation in this vital process.

Christie Jacobs



*....your feedback is
invaluable to us.....*

IN THIS ISSUE

| | |
|--|-----|
| Message from the Director | 1 |
| Consultation Procedures | 2 |
| Deterring Theft of Tribal Funds | 3 |
| New FinCEN Form 103 Filing Specifications Issued | 4 |
| Mileage Rate Increase | 4 |
| Economic Stimulus Payments | 5/6 |
| Tax Calendar for the 3rd Quarter 2008 | 7/8 |



Consultation Procedures

As most everyone is aware, federal agencies are required to consult with tribes on issues that primarily affect them. In order to ensure that the IRS is in conformance with this requirement, we have developed procedures that spell out how we will implement the requirement. This was done with substantial input of tribal representatives, and has a two-pronged approach.

First, we have open “listening meetings” four times per year, on a rotating basis throughout each of the regions of the Bureau of Indian Affairs. These meetings are advertised via ITG News, as the headline on the ITG Internet page at www.irs.gov/tribes, and via a direct mailing to each tribal leader in the area where a meeting is scheduled. These meetings represent an opportunity for the IRS to share information on current and pending events, but more importantly are a venue for tribes to raise their questions, concerns, and suggestions. Our next scheduled meeting is planned for Billings, Montana on August 14th between 1:00 and 4:00pm.

The second component of our Consultation procedures involves the opportunity for tribes to request ad hoc discussions with the IRS on any specific issue that they wish to raise. This can be done via a telephone call to ITG Director Christie Jacobs at 202-283-9800, or via an e-mail link on the Consultation web page at www.irs.gov/tribes.

To date, we have met with over 250 tribal representatives through these procedures, and the feedback has been invaluable. Please watch future editions of ITG News, as well as the ITG web site, for information on future meetings.

Self-Assess Your Federal Tax Compliance Risks

Tribal entities can now self-assess their federal tax compliance and work with ITG to address any problems they uncover. Entities electing to participate receive a fillable template from ITG, and are provided with the name of a local ITG Specialist who will serve as their resource during the process.

Information on the program, as well as an on-line request form, is available through the “Self Assessed Tribal Tax Compliance” link on the right-hand of the ITG web site landing page at www.irs.gov/tribes, or you can make an inquiry about the program via e-mail to tege.itg.tefac@irs.gov

Want to Avoid Penalties?

Are you incurring penalties? Do you want to eliminate penalties in the future? ITG has a “Helpful Hints to Avoid Penalties” job aid that can assist you. It’s available by ordering our “Tax Tools for Tribes” CD-Rom via e-mail at ITG.TaxTools@irs.gov.



Deterring Theft of Tribal Funds

As tribal economies continue to evolve and expand, many tribes are involved in multi-million dollar projects. These projects are very diverse, and range from construction of new gaming facilities, to formation of manufacturing entities, to development of wind energy farms. As we visit tribal homelands, it is always encouraging to see development, and listen to the hope it brings to tribal members.

At the same time, these economic projects bring great risk to the tribe as well. All ventures carry the inherent risk that the return on the investment may not be as high as projected, or that external factors may adversely affect the marketplace after the development is completed. Of equal importance is the risk to tribal finances that can occur during the project development process, or through contracting for operation of the development once it is functioning.

We recently completed action on a case where several individuals diverted loan proceeds which the tribe had borrowed to aid in a casino development project. Since the overall project required the tribe to borrow in excess of \$10 million, the \$300,000 diverted by these individuals was not immediately noticed. The three perpetrators used the money for personal purposes, while the tribe repaid the debt as part of its overall loan obligation without realizing that they had lost the use of the money.

When adequate internal controls are lacking, it becomes too easy for an unscrupulous individual to divert tribal funds for an unintended use. The scheme can be covered up through mechanisms such as false invoicing – billing for services never performed, ghost employees – payroll checks to fictitious individuals, or petty cash fund payments for goods never actually acquired. There are any number of ways someone can cover their tracks by creating false records, which appear credible at first glance.

In the end, the lack of adequate internal controls always costs a tribe money, and funds that should be used for programs for tribal members end up personally benefiting someone who has found a loophole in the system.

How do you prevent this? First, tribes need to ensure that they have in-depth internal controls, so that no one individual controls both the receipt and expenditure of money. Second, annual audits are essential, both to identify problems, and to ensure potential perpetrators are aware that records will be reviewed. Last, when you uncover misuse of tribal funds for someone's personal gain, contact ITG so that we can pursue the tax consequences to the individual. Deterring individuals from attempting to personally gain at the expense of the tribe starts with having procedures in place to increase the likelihood they may be caught, and ends with a commitment that the tribe will do whatever it can to ensure the perpetrator pays for their illicit gain.

Reporting Abuses/Schemes

We continue to work with tribes and tribal officials to address financial abuses and schemes being promoted in Indian country. Working together can help ensure the integrity of tribal finances, and eliminate the threats posed by individuals with schemes that appear "too good to be true" and often are. If you are aware of financial impropriety, or of a promoter advocating a scheme that appears highly suspect, you can contact the ITG Abuse Detection and Prevention Team at (716) 686-4860, or via e-mail at tege.itg.schemes@irs.gov



FinCEN Releases Revised Currency Transaction Report - Casino (FinCEN Form 103) and BSA E-File Electronic Filing Specifications

FinCEN has announced the release of a revised CTRC (FinCEN Form 103) and BSA E-File Electronic filing specifications to be effective August 2008. The documents must not be used for filing until September 1, 2008.

FinCEN Form 103 questions may be directed to the FinCEN Regulatory Helpline at 1-800-949-2732, or for BSA E-Filing, the E-File Helpline at 1-888-827-2778)

IRS Increases Mileage Rates through Dec. 31, 2008

The Internal Revenue Service announced June 23, 2008, an increase in the optional standard mileage rates for the final six months of 2008. Taxpayers may use the optional standard rates to calculate the deductible costs of operating an automobile for business, charitable, medical or moving purposes.

The rate will increase to 58.5 cents a mile for all business miles driven from July 1, 2008, through Dec. 31, 2008. This is an increase of eight (8) cents from the 50.5 cent rate in effect for the first six months of 2008, as set forth in [Rev. Proc. 2007-70](#).

In recognition of recent gasoline price increases, the IRS made this special adjustment for the final months of 2008. The IRS normally updates the mileage rates once a year in the fall for the next calendar year.

"Rising gas prices are having a major impact on individual Americans. Given the increase in prices, the IRS is adjusting the standard mileage rates to better reflect the real cost of operating an automobile," said IRS Commissioner Doug Shulman. "We want the reimbursement rate to be fair to taxpayers."

While gasoline is a significant factor in the mileage figure, other items enter into the calculation of mileage rates, such as depreciation and insurance and other fixed and variable costs.

The optional business standard mileage rate is used to compute the deductible costs of operating an automobile for business use in lieu of tracking actual costs. This rate is also used as a benchmark by the federal government and many businesses to reimburse their employees for mileage.

The new six-month rate for computing deductible medical or moving expenses will also increase by eight (8) cents to 27 cents a mile, up from 19 cents for the first six months of 2008. The rate for providing services for charitable organizations is set by statute, not the IRS, and remains at 14 cents a mile.

The new rates are contained in [2008-63](#) on the optional standard mileage rates.

Taxpayers always have the option of calculating the actual costs of using their vehicle rather than using the standard mileage rates.



IRS Wants Retirees and Disabled Veterans to File for Their Economic Stimulus Payments

The IRS announced a new summer campaign to reach those retirees and disabled veterans who qualify for the economic stimulus payment but have not filed to claim it. New statistics released indicate about 74 percent in this group are accounted for in the stimulus payments currently being sent, leaving about 5.2 million potential recipients remaining.

Later this summer, the IRS will send these potential recipients a special letter that explains stimulus payment eligibility and how to claim it. The letter will include a sample tax form and an actual tax form that people can complete and mail to the IRS. This will be the second special mailing to reach those individuals.

The Economic Stimulus Act of 2008 provides for people who have no tax liability or no tax filing requirement, there is a minimum payment of \$300 (\$600 for married couples), plus the \$300 for each qualifying child. To be eligible for the minimum payment, individuals must have at least \$3,000 in qualifying income. Qualifying income includes any combination of earned income, nontaxable combat pay and certain benefit payments from Social Security, Veterans Affairs and Railroad Retirement. The types of Social Security benefits that are considered qualifying income include retirement, disability and survivor payments. Supplemental Security Income (SSI) is not qualifying income. The types of Veterans Affairs benefits that are considered qualifying income include disability compensation, disability pension and survivor payments. Qualifying Railroad Retirement payments include the social security equivalent portion of Tier 1 benefits.

Don't be left out. With qualifying income, be sure to file a tax return by October 15, 2008 to receive the economic stimulus payments. For additional information, go to www.irs.gov.

Eastern States Indian Tribal Government Specialists

Michael Farney, ITG Specialist
New Haven, CT
Phone: 203-781-3084

Rose Jones, ITG Specialist
Baton Rouge, LA
Phone: 225-923-4162

Employee Tip Income Program Questions

ITG has a full-time Tip Coordinator to assist you with any questions about tip reporting agreements. If you are interested in securing a Tip Agreement, have questions concerning your existing agreement, or have received a notice about tip reporting responsibilities that is unclear, please contact Suzanne Perry at (602) 207-8254.



ECONOMIC STIMULUS PAYMENTS - if you already filed a return, here is the schedule for payments:

DIRECT DEPOSIT

| Last two SSN digits: | Payments will be transmitted no later than (and received by the end of the day of): |
|-----------------------------|--|
| 00 through 20 | May 2 |
| 21 through 75 | May 9 |
| 76 through 99 | May 16 |

If filing or preparation fees were deducted from your 2007 refund or if you obtained a refund anticipation loan or other bank product related to your regular tax refund, you will receive a check instead of a direct deposit.

Paper checks will also go out based on Social Security number. For Social Security numbers ending in 00 through 09, the paper checks will be mailed starting May 9 and will continue through May 16. A similar process will be repeated in the following weeks.

PAPER CHECK

| Last two SSN digits: | Payments will be mailed no later than (and received a few days after): |
|-----------------------------|---|
| 00 through 09 | May 16 |
| 10 through 18 | May 23 |
| 19 through 25 | May 30 |
| 26 through 38 | June 6 |
| 39 through 51 | June 13 |
| 52 through 63 | June 20 |
| 64 through 75 | June 27 |
| 76 through 87 | July 4 |
| 88 through 99 | July 11 |

People who file a return after April 15 will receive their economic stimulus payment, but probably later than the schedule shows. A return must be filed by October 15 in order to receive a stimulus payment this year. For additional information and frequently asked questions, visit the IRS web site at www.IRS.gov or call 866-234-2942.

Tax Tools for Tribes

You can order our comprehensive reference CD-ROM containing Publication 4268 (Employment Tax Guide for Tribes), Publication 3908 (Gaming Tax Law for Indian Tribal Government), Publication 15 (Employer's Tax Guide), Publication 15-A (Employer's Supplemental Tax Guide), ITG News issuance for your area for the last 8 quarters, a "primer" for federal tax issues affecting individual Native Americans, and a guide on "Helpful Hints to Avoid Penalties". E-Mail us at ITG.TaxTools@irs.gov and provide your mailing address and the number of CD-ROM copies you would like to receive.



Federal Tax Calendar for Third Quarter 2008

July 2008

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|-----|------------------------------------|--|--------------------------------------|---|--------------------------------------|-----|
| | | 1 <i>File Form 11-C for the annual Occupational tax</i> | 2 * make a deposit for 6/25-6/27 | 3 | 4 | 5 |
| 6 | 7 * make a deposit for 6/28-7/1 | 8 | 9 * make a deposit for 7/2-7/4 | 10 Employees report June tip income to employers if \$20 or more | 11 * make a deposit for 7/5-7/8 | 12 |
| 13 | 14 | 15 ** make a deposit for June if under the monthly deposit rule | 16 * make a deposit for 7/9-7/11 | 17 | 18 * make a deposit for 7/12-7/15 | 19 |
| 20 | 21 | 22 | 23 * make a deposit for 7/16-7/18 | 24 | 25 * make a deposit for 7/19-7/22 | 26 |
| 27 | 28 | 29 | 30 * make a deposit for 7/23-7/25 | 31 <i>File Form 730 for wagers received during June</i> <i>File Form 941 the 2nd calendar quarter of 2008</i> | | |

August 2008

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|-----|---|-----|--------------------------------------|-----|---|-----|
| | | | | | 1 * make a deposit for 7/26-7/29 | 2 |
| 3 | 4 | 5 | 6 * make a deposit for 7/30-8/1 | 7 | 8 * make a deposit for 8/2-8/5 | 9 |
| 10 | 11 Employees report July tip income to employers if \$20 or more | 12 | 13 * make a deposit for 8/6-8/8 | 14 | 15 * make a deposit for 8/9-8/12 ** make a deposit for July if under the monthly deposit rule | 16 |
| 17 | 18 | 19 | 20 * make a deposit for 8/13-8/15 | 21 | 22 * make a deposit for 8/16-8/19 | 23 |
| 24 | 25 | 26 | 27 * make a deposit for 8/20-8/22 | 28 | 29 * make a deposit for 8/23-8/26 | 30 |
| 31 | | | | | | |

* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.

** = Make a Monthly Deposit if you qualify under that rule.



September 2008

| Sun | Mon | Tue | Wed | Thu | Fri | Sat |
|-----|---|-----|---|--|---|-----|
| | 1 | 2 | | 4 * make a deposit for 8/27-8/29 | 5 * make a deposit for 8/30-9/2 | 6 |
| 7 | 8 | 9 | 10 * make a deposit for 9/3-9/5 * Employees report August tip income to employers if \$20 or more | 11 | 12 * make a deposit for 9/6-9/9 | 13 |
| 14 | 15 ** make a deposit for August if under the monthly deposit rule | 16 | 17 * make a deposit for 9/10-9/12 | 18 | 19 * make a deposit for 9/13-9/16 | 20 |
| 21 | 22 | 23 | 24 * make a deposit for 9/17-9/19 | 25 | 26 * make a deposit for 9/20-9/23 | 27 |
| 28 | 29 | 30 | | | | |

* = Make a Payroll Deposit if you are under the semi-weekly deposit rule.

** = Make a Monthly Deposit if you qualify under that rule.

NOTE: Deposits made through EFTPS must be initiated at least one day prior to the due dates listed above in order to be timely.

Return Filing Dates

July 1st

- > File Form 11-C to register and pay the annual tax if you are in the business of taking wagers

July 31st

- > File Form 941 for the 2nd quarter of 2007. If all deposits paid on time and in full, file by August 11th.
- > File Form 730 and pay the tax on applicable wagers accepted during June.

September 2nd

- > File Form 730 and pay the tax on applicable wagers accepted during July.

September 30th

- > File Form 730 and pay the tax on applicable wagers accepted during August.